

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 PA-04 PRS-01 USIE-00 EUR-25 L-03 STR-08

INT-08 H-03 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 INRE-00 SSO-00

NSCE-00 SS-20 NSC-07 DRC-01 /197 W

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 4729

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

UNCLAS KINGSTON 1710

E.O. 11652: N/A

TAGS: EMIN JM

SUBJ: BAUXITE NEGOTIATIONS SITREP 51; EDITORIAL COMMENT ON PM'S
BAUXITE PROGRAM

1. THE MAY 16 DAILY GLEANER LEAD EDITORIAL TAKES A CAUTIOUS
STAND IN COMMENTING ON PM MANLEY'S MAY 15 ANNOUNCEMENT THAT THE GOJ
WILL IMPOSE HIGHER TAXES ON BAUXITE EXTRACTION BY LEGISLATION.
THE EDITORIAL OPENS WITH THE COMMENT THAT THIS IS THE FIRST TIME
THAT THE GOJ HAS REPUDIATED A CONTRACT WITH INTERNATIONAL INTERESTS.
IT IS, HOWEVER, A QUESTION OF NATIONAL EMERGENCY IN THAT WORLD
TERMS OF TRADE HAVE CHANGED SO DRASTICALLY AND "MERCILESSLY"
AGAINST COUNTRIES LIKE JAMAICA THAT THE SITUATION "MORALLY APPRO-
XIMATES A LEGAL RIGHT TO CANCEL A CONTRACT BECAUSE OF ACTS OF
GOD OR ENEMIES OF THE STATE."

2. THE EDITORIAL ACKNOWLEDGES THAT THE GOJ HAS A GOOD ARGUMENTS
ON ITS SIDE. THE VERTICAL INTEGRATION OF THE ALUMINUM COMPANIES
ALLOWS THEM TO TAKE PROFITS WHERE THE TAX BITE WILL BE THE LEAST,
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A SITUATION OVER WHICH JAMAICA HAS LITTLE CONTROL. THE

GLENER DOUBTS WHETHER THE COMPANIES HAD ANY QUARREL WITH THE LOGIC THAT BAUXITE SHOULD BE AN ASSET WHICH HAS A PRICE AND SOLD AS SUCH. THE PROBLEM, RATHER, WAS OVER THAT PRICE.

3. THE GLEANER SAYS THAT IS HAS NO WAY OF KNOWING WHAT THE OVERSEAS REACTION TO THE MOVE WILL BE, BUT THAT IT COULD BE TAKEN AS A TENDANCY TOWARD SOCIALIZATION AND THE ULTIMATE NATIONALIZATION OF THE INDUSTRY. ALTERNATIVELY, IT COULD BE INTERPRETED AS A PURELY BUSINESS TACTIC BORN OUT OF GRAVE NECESSITY. CERTAINLY JAMAICA HAS NOT TAKEN SUCH DRASTIC ACTION AS GUYANA, VENEZUELA OR THE ARAB OIL-PRODUCING COUNTRIES.

4. THE EDITORIAL CLOSES WITH THE COMMENT THAT IT IS BOUND TO BE IN THE JOINT AND MUTUAL INTEREST OF THE COMPANIES AND JAMAICA TO ACCELERATE AND EXPAND THE INDUSTRY HERE, ESPECIALLY IN VIEW OF THE 1.5 BILLION TONS OF ESTIMATED RESERVES WHICH AT THE PRESENT RATE OF MINING WILL LAST FOR ANOTHER HUNDRED YEARS.

5. THE DAILY NEWS EDITORIAL OPENS WITH THE STATEMENT THAT IT WOULD HAVE BEEN MUCH PREFERABLE FOR THE COMPANIS AND THE GOJ TO HAVE REACHED AN AGREEMENT. BARRIN THIS, HOWEVER, THE GOVT HAD NO CHOICE BUT TO GO TO PARLIAMENT FOR LEGISLATION. THE EDITORIAL GOES ON TO OUTLINE THE DETERIORATION IN JAMAICA'S TERMS OF TRADE, CITING INCREASED COSTS FOR SOYBEANS, WHEAT, CODFISH, AND MANUFACTURES. THE GOVT SIMPLY MUST SECURE MORE FAVORABLE PRICES FOR ITS PRIMARY PRODUCTS AND THE EDITORIAL PRAISES THE PM FOR HIS SUCCESS WITH SUGAR AND BANANAS. THE EDITORIAL PRAISES THE PM'S ANNOUNCED INTENTION TO REACQUIRE BAUXITE LANDS AND CONTROL OVER THE BAUXITE ORE (IT DOES NOT MENTION EQUITY PARTICIPATION). THE EDITORIAL WELCOMES THE SUPPORT OF OPPOSITION LEADER SHEARER AND CLOSES WITH THE COMMENT THAT THIS IS NO TIME FOR PANIC BUT POSITIVE THINKING.

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